

## Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Cheboygan, Michigan	County Cheboygan
Fiscal Year End December 31, 2007	Opinion Date June 5, 2008	Date Audit Report Submitted to State June 26, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma, CPA		License Number 1101024989

**County of Cheboygan, Michigan**

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**BASIC FINANCIAL STATEMENTS**

**December 31, 2007**

**CHEBOYGAN COUNTY, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

COMMISSIONER	LINDA SOCHA
COMMISSIONER	HERBERT MAKIMA
COMMISSIONER	PETER REDMOND
COMMISSIONER	ALICE MUSHLOCK
COMMISSIONER	LEONARD PAGE
COMMISSIONER	JOHN B. WALLACE
COMMISSIONER	ROBERT R. BOLINGER

**APPOINTED/ELECTED OFFICIALS**

COUNTY ADMINISTRATOR	MICHAEL OVERTON
FINANCE DIRECTOR	KARI KORTZ
COUNTY TREASURER	LINDA A. CRONAN
COUNTY CLERK	MARY ELLEN TRYBAN
COUNTY SHERIFF	DALE CLARMONT
PROSECUTING ATTORNEY	CATHERINE CASTAGNE

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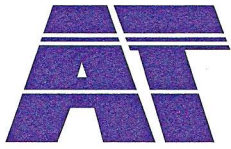
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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT**

Honorable Chairperson and Members  
Of the Board of Commissioners  
County of Cheboygan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Cheboygan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Cheboygan County Road Commission, which represent 100% of the assets and revenues of the Discretely Presented Component Unit. Those financial statements were audited by other auditors whose report has been furnished to us and in our opinion, is so far as it relates to the amounts recorded for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008 on our consideration of the County of Cheboygan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cheboygan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Cheboygan, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 5, 2008

## **Management's Discussion and Analysis**

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As the management of **County of Cheboygan, Michigan** (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of fiscal year 2007 by \$25,849,084 net assets). Of this \$13,183,092 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$3,544,447 or 36% of the total General Fund expenditures and transfers.
- The County revenue was modified during 2004 due to state legislation which changed the property tax levy for Michigan taxpayers. The impact of Public Act 357 of 2004 to the County is that property taxes will be collected and a portion of the money will be set aside in a revenue sharing reserve fund. The State controls how the money can be transferred back to the General Fund for operations. This amount in theory is intended to replace the state revenue sharing money that has been paid by the State as a portion of the sales tax revenue pursuant to Proposal A. The impact of this proposal, which gradually shifts the levy from December to July increased each year and peaked in 2007. This has significantly impacted the cash flow of the County. The County now maintains a Revenue Sharing Reserve Fund as a governmental fund.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, health and welfare, recreation and culture and other. The business-type activities include marina operations, delinquent tax collections, tax foreclosures, Straits Regional Ride, and jail commissary operations.

The government-wide financial statements include not only the County itself (known as the primary government), but also the Cheboygan County Road Commission, a legally separate component unit for which the County is financially accountable. The Road Commission issued separate audited financial statements including a management discussion and analysis. In the government-wide financial statements, financial information for the Cheboygan County Road Commission is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-15 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 39 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Revenue Sharing Reserve Fund, Housing Commission Fund and Inverness Township Sewer Fund, each of which are considered to be major funds. Data from the other 35 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and Special Revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with the General Fund and each major special revenue fund.

The basic governmental fund financial statements can be found on pages 16-17 of this report.

***Proprietary funds.*** The County maintains one of the two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its marina operations, delinquent tax collections, tax foreclosures, Straits Regional Ride and jail commissary operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Marina and Delinquent Tax Funds, which are considered major funds of the County. Individual fund data for the non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on 19-21 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-44 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including the combining statements referred to earlier in connection with nonmajor governmental and proprietary funds which are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 45-59 of this report.

**Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$25,849,084 at the close of fiscal year 2007 compared to \$24,002,154 at the close of 2006.

Investment in capital assets (e.g., land and improvements, buildings and improvement, machinery and equipment, vehicles and docks), less any related debt used to acquire those assets that is still outstanding represents approximately 33% of the County's net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets (\$13,183,092) for 2007 may be used to meet the government's ongoing obligation to citizens and creditors.

**County of Cheboygan  
Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 13,994,534	\$ 14,826,369	\$ 7,869,789	\$ 7,047,376	\$ 21,864,323	\$ 21,873,745
Noncurrent Assets	<u>7,238,108</u>	<u>7,268,364</u>	<u>1,343,846</u>	<u>1,505,053</u>	<u>8,581,954</u>	<u>8,773,417</u>
Total Assets	<u>\$ 21,232,642</u>	<u>\$ 22,094,733</u>	<u>\$ 9,213,635</u>	<u>\$ 8,552,429</u>	<u>\$ 30,446,277</u>	<u>\$ 30,647,162</u>
Current Liabilities	\$ 4,249,908	\$ 6,324,214	\$ 46,846	\$ 42,323	\$ 4,296,754	\$ 6,366,537
Noncurrent Liabilities	<u>300,439</u>	<u>278,471</u>	<u>-</u>	<u>-</u>	<u>300,439</u>	<u>278,471</u>
Total Liabilities	<u>4,550,347</u>	<u>6,602,685</u>	<u>46,846</u>	<u>42,323</u>	<u>4,597,193</u>	<u>6,645,008</u>
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	7,238,108	7,127,060	1,343,846	1,505,053	8,581,954	8,632,113
Restricted	3,820,613	4,304,661	263,425	252,851	4,084,038	4,557,512
Unrestricted	<u>5,623,574</u>	<u>4,060,327</u>	<u>7,559,518</u>	<u>6,752,202</u>	<u>13,183,092</u>	<u>10,812,529</u>
Total Net Assets	<u>\$ 16,682,295</u>	<u>\$ 15,492,048</u>	<u>\$ 9,166,789</u>	<u>\$ 8,510,106</u>	<u>\$ 25,849,084</u>	<u>\$ 24,002,154</u>

At the end of the current fiscal year, the County is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's total net assets increased \$1,846,930 during the current fiscal year.

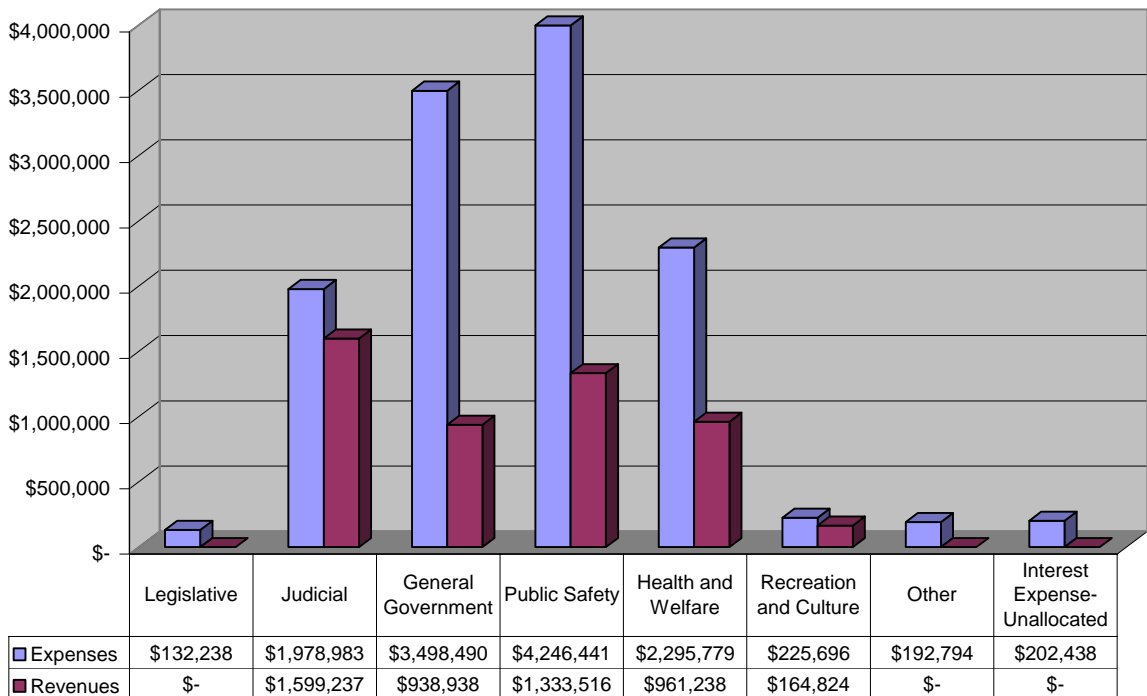
**County of Cheboygan  
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 2,642,157	\$ 2,944,457	\$ 1,520,597	\$ 1,255,659	\$ 4,162,754	\$ 4,200,116
Operating Grants and Contributions	2,355,596	2,495,280	388,863	320,457	2,744,459	2,815,737
Capital Grants and Contributions	-	49,693	-	-	-	49,693
General Revenues						
Property Taxes	8,521,797	8,277,902	-	-	8,521,797	8,277,902
Federal, State, & Local - General	200,312	319,910	-	-	200,312	319,910
Unrestricted Investment Earnings	<u>318,531</u>	<u>285,964</u>	<u>269,355</u>	<u>249,582</u>	<u>587,886</u>	<u>535,546</u>
Total Revenues	<u>14,038,393</u>	<u>14,373,206</u>	<u>2,178,815</u>	<u>1,825,698</u>	<u>16,217,208</u>	<u>16,198,904</u>
Program Expenses						
Legislative	132,238	129,543	-	-	132,238	129,543
Judicial	1,978,983	2,011,903	-	-	1,978,983	2,011,903
General Government	3,498,490	3,077,130	-	-	3,498,490	3,077,130
Public Safety	4,246,441	4,181,305	-	-	4,246,441	4,181,305
Health and Welfare	2,295,779	2,637,215	-	-	2,295,779	2,637,215
Recreation & Culture	225,696	268,783	-	-	225,696	268,783
Other Expenses	192,794	309,067	-	-	192,794	309,067
Interest Expense – Unallocated	202,438	206,332	-	-	202,438	206,332
Marina	-	-	592,592	624,288	592,592	624,288
Delinquent Tax	-	-	27,911	15,145	27,911	15,145
Tax Foreclosure	-	-	130,288	150,471	130,288	150,471
Straits Regional Ride	-	-	782,661	693,254	782,661	693,254
Jail Commissary	<u>-</u>	<u>-</u>	<u>13,613</u>	<u>11,907</u>	<u>13,613</u>	<u>11,907</u>
Total Expenses	<u>12,772,859</u>	<u>12,821,278</u>	<u>1,547,065</u>	<u>1,495,065</u>	<u>14,319,924</u>	<u>14,316,343</u>
Change in Net Assets Before Transfers	1,265,534	1,551,928	631,750	330,633	1,897,284	1,882,561
Transfers – Net	<u>(75,287)</u>	<u>198,240</u>	<u>75,287</u>	<u>(198,240)</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	1,190,247	1,750,168	707,037	132,393	1,897,284	1,882,561
Net Assets – Beginning	15,492,048	13,741,880	8,510,106	8,343,062	24,002,154	22,084,942
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(50,354)</u>	<u>34,651</u>	<u>(50,354)</u>	<u>34,651</u>
Net Assets – Ending	<u>\$ 16,682,295</u>	<u>\$ 15,492,048</u>	<u>\$ 9,166,789</u>	<u>\$ 8,510,106</u>	<u>\$ 25,849,084</u>	<u>\$ 24,002,154</u>

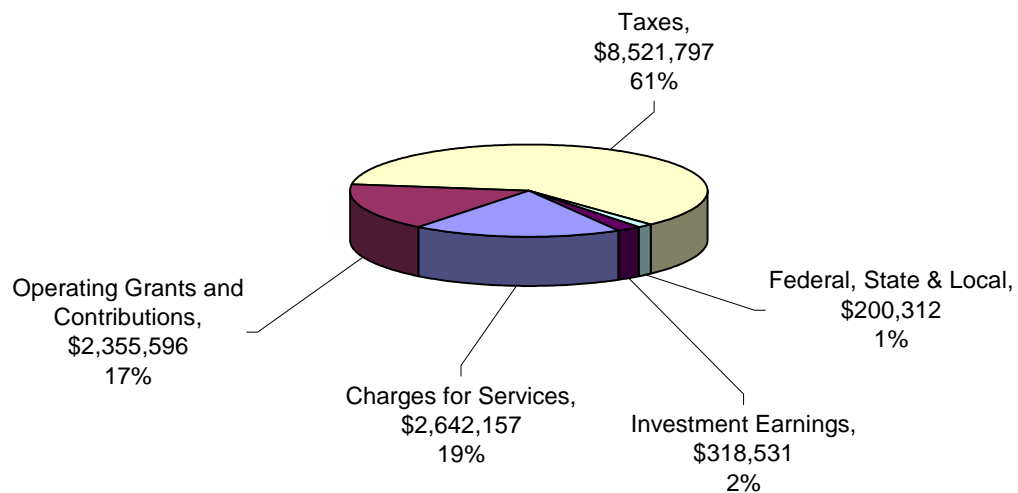
**Governmental activities.** Governmental activities increased the County's net assets by \$1,190,247, accounting for significantly all of the total increase in the net assets of the County.

For three years, the tax revenue in the General Fund was reduced by approximately \$1.8 million to fund the Revenue Sharing Reserve Fund. In 2007, the General Fund recognized approximately \$2 million more in taxes, which accounted for the increase the governmental activities net assets.

### Expenses and Program Revenues - Governmental Activities

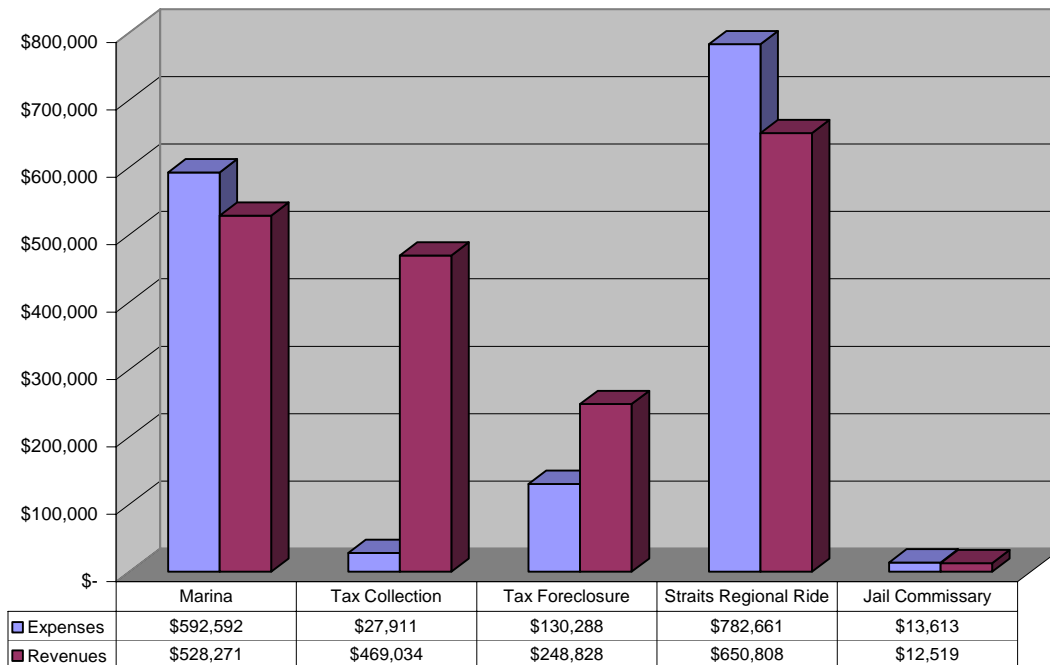


### Revenues by Source - Governmental Activities

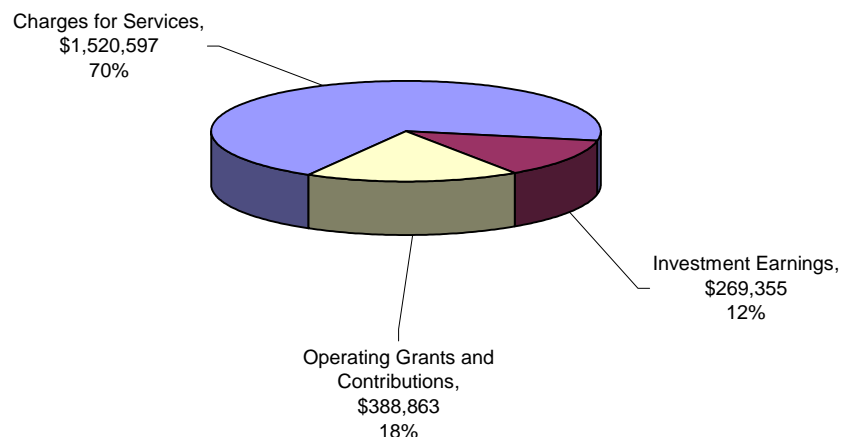


**Business-type activities.** Business-type activities increased the County's net assets by \$707,037, accounting for approximately 37% of the total increase in the County's net assets for fiscal year 2007, compared to \$132,393 or 7% for 2006. This significant increase was due to the elimination of a \$227,250 transfer between the Delinquent Tax Fund and the General Fund, increased revenue in the Delinquent Tax Fund of approximately \$72,000, increased revenue in the Tax Foreclosure Fund of approximately \$120,000 and increased revenue in the Straits Regional Ride Fund of approximately \$141,000.

**Expenses and Program Revenues-  
Business-type Activities**



**Revenues by Source-  
Business-type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the main operating fund of the County. The General Fund fund balance increased by \$1,370,062 from \$2,226,408 to \$3,596,470 during 2007. This increase in fund balance was the result of an increase in revenues of 17%, primarily due to taxes, offset by an increase in expenses of only 6%.

Two new governmental funds were created during 2007. The Recycling Fund will record the activity related to the new county-wide offered recycling program. The Brownfield Redevelopment Fund will record the activity related to two federal grants received.

**Proprietary funds.** The County proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

**General Fund Budgetary Highlights**

The following were significant differences between the final budget and the originally adopted budget:

- Victim's Rights expenditures increased approximately \$10,000 due to allocating additional wages to this grant funded program.
- Major Equipment & Building expenditures increased approximately \$68,000 due to the purchase of three cars and one truck for the car pool.
- Sheriff expenditures increased approximately \$131,000 due to wage and fringe adjustments of \$38,000, drug investigation funding of \$12,000, gas expenses of \$5,000, and purchase of two patrol cars and a transport van (\$74,000) originally budgeted in a different department.
- Planning and Zoning expenditures increased approximately \$41,000 due to wage and fringe adjustments.
- Medical Examiner expenditures increased approximately \$17,000 due to the cost and number of autopsies.
- Other Miscellaneous decreased approximately \$145,000 due to transferring budget appropriations to the other departments.
- Transfers Out increased approximately \$145,000 due to increasing the appropriation to the Friend of the Court by \$8,000, increasing the appropriation to Straits Regional Ride by \$6,000, funding the contingency portion of the CCE 911 Capital Fund of \$93,000 and start-up funding of the Recycling Fund of \$38,000.



**General Fund Budgetary Highlights (Continued)**

In total, actual revenues exceeded the final budget by \$1,450,903.

The following were significant differences noted between the final budget and actual results:

- Taxes exceeded the final budget by 2.3 million because the County had budgeted \$1.8 million of the tax levy in Revenue Sharing Reserve fund which was recorded as a receivable in 2006 and therefore did not need to be budgeted.
- Licenses and Permits were below the final budget by \$16,000 primarily due to the volume of zoning permits.
- Interest and Rentals exceeded the final budget by \$82,000 due to better interest rates and investment strategies in 2007.
- Refunds and Reimbursements exceeded the final budget by \$75,000 primarily due to payoff of the FIA Building debt which allowed the remaining funds to be refunded to the General Fund and a refund on the County liability insurance.
- Transfers in were below the final budget by approximately \$1,100,000 as no smaller transfer was required from the Tax Revolving Fund to maintain the General Fund fund balance as expected based on original budgeted revenues and expenditures.

Actual expenditures were under budget for all functional categories, as well as departments, except snowmobile safety, which was over budget due to a year-end payroll accrual.

The following were significant differences noted between the final budget and actual results:

- Elections were down \$11,000 due to election refunds received from other local units of government.
- Maintenance was down \$43,000 primarily due to wage and fringe adjustment due to fewer employees.
- Major Equipment & Building was down \$33,000 due to less contracted service, ground maintenance and equipment expenses.
- Planning and Zoning was down \$52,000 due to wage and fringes related to vacant positions, contractual services and per diems.
- Transfers out were also below budget by approximately \$196,000 due to reductions in the required contribution to the Childcare Fund, Airport grant matching, Register of Deeds Automation Fund and M.A.P.S. Project Fund.

The following significant differences were noted between actual results from 2007 compared to 2006:

- Tax revenue was up approximately \$1,980,000 due to the elimination of the need to fund the Revenue Sharing Reserve Fund and increase in taxable values.
- Federal revenue was down approximately \$92,000 due to grants which were not longer available.
- Administrative Office expenditures were down approximately \$88,000 primarily due to the creation of a separate department for information systems expenses.
- Information Systems was a newly created department in 2007.

**General Fund Budgetary Highlights (Continued)**

- Maintenance expenditures were down and General expenditures were up due to moving utility costs.
- Major Equipment expenditures were up approximately \$99,000 primarily due to the car pool purchase and the jail renovation project.
- Human Resource expenditures were up due to operating 12 months in 2007 and only two months in 2006.
- Canine Unit expenditures were up approximately \$39,000 as it wasn't in full operation until 2007.

**Revenue Sharing Reserve Fund Budgetary Highlights**

The final payment of one third of the 2004 tax levy was funded during 2007; however, this amount was recorded as a receivable at the end of 2006 and therefore no revenue was recorded during the current fiscal year. This resulted in a significant budget variance.

**Housing Commission Fund Budgetary Highlights**

The other revenue final budget differed from the originally adopted budget because there was an increase in program income which included mortgage pay-offs; additional expenditures were appropriated to offset this increased revenue. Since program income must be expended prior to receiving any federal grant funding, there was less federal sources revenue received than budgeted for in 2007. The projects completed during 2007 did not require the full use of grant funds as budgeted resulting in the difference between the expenditures original and final budgets and the actual amount.

**Capital Asset and Debt Administration**

**Capital assets.** The County defines a capital asset as an asset whose cost exceeds \$5,000 and useful life is greater than one year. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

**County of Cheboygan**  
**Capital Assets**  
 (net of depreciation, where applicable)

	Governmental Activities	Business-type Activities	Totals
Land	\$ 3,218,280	\$ -	\$ 3,218,280
Land improvements	27,353	660,818	688,171
Buildings and improvements	3,272,726	275,290	3,548,016
Machinery and equipment	418,887	3,219	422,106
Vehicles	300,862	-	300,862
Transportation equipment	-	126,958	126,958
Docks	-	277,561	277,561
<b>Total capital assets</b>	<b><u>\$ 7,238,108</u></b>	<b><u>\$ 1,343,846</u></b>	<b><u>\$ 8,581,954</u></b>

Additional information on the County capital assets can be found in Note 5 on pages 32-35 of this report.

**Debt administration.** Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

**Long-term debt.** Debt is classified as long-term if the debt matures in a period greater than one year. The County entered into an agreement with Inverness Township for the Inverness Township Sewer Project. The Township pledged its full faith and credit for the repayment of the loan; therefore, this debt is not included in the County's financial statements.

Additional information on the County long-term debt can be found in Note 7 on pages 36-38 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The County continues to budget in anticipation of State and Federal budget cuts with less grants and other funding from these sources. The 2008 General Fund final budget is approximate \$11 million and maintains essentially the same programming as 2007 except for the establishment of a separate GIS Department which was previously included in the Equalization Department. The change in the timing of the tax levy will continue to impact cash flow for the first six months of the County's fiscal year; investing strategies will change to accommodate this factor.

### **Component Unit**

A complete financial statement and management's discussion and analysis may be obtained from the Cheboygan County Road Commission.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrative Office, County of Cheboygan, Michigan, 870 S. Main, P.O. Box 70, Cheboygan, Michigan, 49721.

## **Basic Financial Statements**

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# County of Cheboygan, Michigan

## Statement of Net Assets December 31, 2007

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS:</b>				
Current Assets:				
Cash & Equivalents - Unrestricted	\$ 7,801,011	\$ 5,534,987	\$ 13,335,998	\$ 871,970
Cash & Equivalents - Restricted	-	238,236	238,236	-
Receivables:				
Accounts	238,146	51,409	289,555	200
Taxes	1,230,002	1,706,829	2,936,831	-
Interest	-	298,892	298,892	-
Notes	1,108,594	-	1,108,594	-
Lease	3,200,000	-	3,200,000	-
Internal Loans	81,713	(81,713)	-	-
Prepaid Expenses	-	267	267	191,343
Due from Governmental Units	335,068	94,844	429,912	803,147
Inventories	-	26,038	26,038	851,782
Other Assets	-	-	-	108,537
<b>Total Current Assets</b>	<b>13,994,534</b>	<b>7,869,789</b>	<b>21,864,323</b>	<b>2,826,979</b>
Noncurrent Assets:				
Capital Assets Not Depreciated	3,218,280	-	3,218,280	9,018,526
Capital Assets (Net of Accumulated Depreciation)	4,019,828	1,343,846	5,363,674	15,758,698
<b>Total Non Current Assets</b>	<b>7,238,108</b>	<b>1,343,846</b>	<b>8,581,954</b>	<b>24,777,224</b>
<b>TOTAL ASSETS</b>	<b>21,232,642</b>	<b>9,213,635</b>	<b>30,446,277</b>	<b>27,604,203</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	265,956	18,357	284,313	36,460
Accrued Liabilities	152,856	28,489	181,345	137,972
Accrued Interest Payable	-	-	-	50,194
Due to Governmental Units	-	-	-	20,330
Advances and Deposits	-	-	-	496,572
Deferred Revenue	3,831,096	-	3,831,096	-
Installment Loans	-	-	-	38,944
Bonds Payable	-	-	-	90,000
<b>Total Current Liabilities</b>	<b>4,249,908</b>	<b>46,846</b>	<b>4,296,754</b>	<b>870,472</b>
Noncurrent Liabilities:				
Vested Employee Benefits	300,439	-	300,439	367,194
Installment Loans	-	-	-	119,638
Bonds Payable	-	-	-	2,745,000
<b>Total Noncurrent Liabilities</b>	<b>300,439</b>	<b>-</b>	<b>300,439</b>	<b>3,231,832</b>
<b>TOTAL LIABILITIES</b>	<b>4,550,347</b>	<b>46,846</b>	<b>4,597,193</b>	<b>4,102,304</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (Net of Related Debt)	7,238,108	1,343,846	8,581,954	21,783,642
Restricted for County Road	-	-	-	944,161
Restricted for Other Purposes	3,820,613	263,425	4,084,038	-
Unrestricted	5,623,574	7,559,518	13,183,092	774,096
<b>TOTAL NET ASSETS</b>	<b>\$ 16,682,295</b>	<b>\$ 9,166,789</b>	<b>\$ 25,849,084</b>	<b>\$ 23,501,899</b>

See accompanying notes to financial statements.

Statement of Activities  
Year Ended December 31, 2007

	Net (Expense) Revenue and Changes in Net Assets					Component Unit
	Primary Government				Total	
	Governmental Activities	Business-type Activities				
Program Revenues						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative	\$ 132,238	\$ -	\$ -	\$ -	\$ (132,238)	\$ -
Judicial	1,978,983	742,945	856,292	-	(379,746)	-
General Government	3,498,490	631,567	307,371	-	(2,559,552)	-
Public Safety	4,246,441	832,745	500,771	-	(2,912,925)	-
Health & Welfare	2,295,779	302,985	658,253	-	(1,334,541)	-
Recreation & Culture	225,696	131,915	32,909	-	(60,872)	-
Other Expenses	192,794	-	-	-	(192,794)	-
Interest Expense - Unallocated	202,438	-	-	-	(202,438)	-
Total Governmental Activities	12,772,859	2,642,157	2,355,596	-	(7,775,106)	-
<b>Business-Type Activities:</b>						
Marina	592,592	528,271	-	-	(64,321)	-
Delinquent Tax	27,911	469,034	-	-	441,123	-
Tax Foreclosure	130,288	248,828	-	-	118,540	-
Straits Regional Ride	782,661	261,945	388,863	-	(131,853)	-
Jail Commissary	13,613	12,519	-	-	(1,094)	-
Total Business-type Activities	1,547,065	1,520,597	388,863	-	362,395	-
Total Primary Government	14,319,924	4,162,754	2,744,459	-	(7,412,711)	-
<b>Component Unit:</b>						
Road Commission	7,010,957	2,149,737	6,663,228	-	-	1,802,008
Total Component Unit	7,010,957	2,149,737	6,663,228	-	-	1,802,008
Total	\$ 21,330,881	\$ 6,312,491	\$ 9,407,687	\$ -		
<b>General Revenues and Transfers:</b>						
Taxes						-
Federal, State, & Local - General				8,521,797	-	8,521,797
Investment Earnings				200,312	-	200,312
Other				318,531	269,355	587,886
Transfers				-	-	-
				(75,287)	75,287	-
Total General Revenues and Transfers				8,965,353	344,642	9,309,995
Change in Net Assets				1,190,247	707,037	1,897,284
Net Assets - Beginning				15,492,048	8,510,106	24,002,154
PRIOR PERIOD ADJUSTMENT				-	(50,354)	(50,354)
Net Assets - Ending				\$ 16,682,295	\$ 9,166,789	\$ 25,849,084
						\$ 23,501,899

# County of Cheboygan, Michigan

## Balance Sheet Governmental Funds December 31, 2007

	General	Revenue Sharing Reserve	Housing Commission	Inverness Sewer Debt	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash & Equivalents - Unrestricted	\$ 2,832,471	\$ 3,820,613	\$ 112,031	\$ 5,208	\$ 1,030,688	\$ 7,801,011
Receivables:						
Accounts	220,359	-	-	-	17,787	238,146
Taxes	600,414	-	-	-	629,588	1,230,002
Notes	-	-	1,108,594	-	-	1,108,594
Lease	-	-	-	3,200,000	-	3,200,000
Due from Other Funds	238,006	-	-	-	-	238,006
Due from Governmental Units	32,820	-	12,818	-	289,430	335,068
<b>TOTAL ASSETS</b>	<b>3,924,070</b>	<b>3,820,613</b>	<b>1,233,443</b>	<b>3,205,208</b>	<b>1,967,493</b>	<b>14,150,827</b>
<b>LIABILITIES:</b>						
Accounts Payable	189,127	-	-	-	76,829	265,956
Accrued Liabilities	136,965	-	-	-	15,891	152,856
Due to Other Funds	-	-	1,672	-	154,621	156,293
Deferred Revenue	1,508	-	1,108,594	3,200,000	629,588	4,939,690
<b>TOTAL LIABILITIES</b>	<b>327,600</b>	<b>-</b>	<b>1,110,266</b>	<b>3,200,000</b>	<b>876,929</b>	<b>5,514,795</b>
<b>FUND BALANCES:</b>						
Reserved	-	3,326,399	-	-	-	3,326,399
Unreserved:						
Designated for Subsequent Year's Expenditures	-	494,214	116,860	-	312,286	923,360
Designated for Recreation	16,844	-	-	-	-	16,844
Designated for Local Grants	8,057	-	-	-	-	8,057
Designated for Federal Grants	4,582	-	-	-	-	4,582
Designated for Cashflow	22,540	-	-	-	-	22,540
Designated for Debt Service	-	-	-	5,208	-	5,208
Undesignated	3,544,447	-	6,317	-	778,278	4,329,042
<b>TOTAL FUND BALANCES</b>	<b>3,596,470</b>	<b>3,820,613</b>	<b>123,177</b>	<b>5,208</b>	<b>1,090,564</b>	<b>8,636,032</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,924,070</b>	<b>\$ 3,820,613</b>	<b>\$ 1,233,443</b>	<b>\$ 3,205,208</b>	<b>\$ 1,967,493</b>	

### Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities are not financial resources and therefore are not reported in the funds.	7,238,108
Deferred revenue on notes receivable is recognized as revenue under full accrual.	1,108,594
Compensated absences liability not recognized in the funds.	(300,439)
<b>Net assets of governmental activities</b>	<b>\$ 16,682,295</b>

# County of Cheboygan, Michigan

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended December 31, 2007

	General	Revenue Sharing Reserve	Housing Commission	Inverness Sewer Debt	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 7,935,421	\$ -	\$ -	\$ -	\$ 586,376	\$ 8,521,797
Licenses & Permits	46,233	-	-	-	-	46,233
Federal Sources	109,225	-	102,032	-	516,142	727,399
State Sources	671,328	-	-	-	685,452	1,356,780
Local Sources	144,735	-	-	200,312	39,906	384,953
Contributions	-	-	-	-	86,776	86,776
Charges for Services	1,124,252	-	-	-	543,626	1,667,878
Fines & Penalties	52,739	-	-	-	4,270	57,009
Interest & Rentals	297,429	-	1,925	122	19,055	318,531
Refunds & Reimbursements	298,868	-	-	-	-	298,868
Other Revenues	7,359	-	62,187	-	443,416	512,962
<b>TOTAL REVENUES</b>	<b>10,687,589</b>	<b>-</b>	<b>166,144</b>	<b>200,434</b>	<b>2,925,019</b>	<b>13,979,186</b>
<b>EXPENDITURES:</b>						
Legislative	132,238	-	-	-	-	132,238
Judicial	1,550,517	-	-	-	431,295	1,981,812
General Government	3,184,591	-	-	-	300,757	3,485,348
Public Safety	3,527,247	-	-	-	666,711	4,193,958
Health & Welfare	638,070	-	152,130	-	1,464,990	2,255,190
Recreation & Cultural	56,125	-	-	-	161,526	217,651
Other Expenditures	153,797	-	-	-	-	153,797
Capital Outlay	-	-	-	-	99,347	99,347
Debt Service	-	-	-	200,312	143,430	343,742
<b>TOTAL EXPENDITURES</b>	<b>9,242,585</b>	<b>-</b>	<b>152,130</b>	<b>200,312</b>	<b>3,268,056</b>	<b>12,863,083</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,445,004</b>	<b>-</b>	<b>14,014</b>	<b>123</b>	<b>(343,037)</b>	<b>1,116,104</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	601,317	-	-	-	600,972	1,202,289
Transfers Out	(676,259)	(484,048)	-	-	(117,269)	(1,277,576)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,370,062</b>	<b>(484,048)</b>	<b>14,014</b>	<b>123</b>	<b>140,666</b>	<b>1,040,817</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>2,226,408</b>	<b>4,304,661</b>	<b>109,163</b>	<b>5,085</b>	<b>949,898</b>	<b>7,595,215</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 3,596,470</b>	<b>\$ 3,820,613</b>	<b>\$ 123,177</b>	<b>\$ 5,208</b>	<b>\$ 1,090,564</b>	<b>\$ 8,636,032</b>



**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
Year Ended December 31, 2007**

Net changes in fund balance – total governmental funds \$ 1,040,817

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$352,713) and loss on disposal of assets (\$11,611) exceeded capital outlays of \$334,068. (30,256)

Repayment of debt principal and capital leases is an expenditure in the governmental fund but reduces the liability in the statement of net assets. 141,304

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred. 59,207

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities; however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(21,968)	
Accrued interest	<u>1,143</u>	<u>(20,825)</u>

Changes in net assets of governmental funds \$ 1,190,247

# County of Cheboygan, Michigan

## Statement of Net Assets Proprietary Funds December 31, 2007

	Enterprise Funds			
	Marina	Delinquent Tax	Other Funds	Totals
<b>ASSETS:</b>				
Cash & Equivalents - Unrestricted	\$ 17,235	\$ 4,874,438	\$ 643,314	\$ 5,534,987
Cash & Equivalents - Restricted	238,236	-	-	238,236
Receivables:				
Accounts	964	43,034	7,411	51,409
Taxes	-	1,706,829	-	1,706,829
Interest	-	298,892	-	298,892
Due from Governmental Units	-	-	94,844	94,844
Prepaid Expenses	267	-	-	267
Inventory	26,038	-	-	26,038
Total Current Assets	282,740	6,923,193	745,569	7,951,502
Capital Assets (Net of Accumulated Depreciation)	1,215,854	-	127,992	1,343,846
<b>TOTAL ASSETS</b>	1,498,594	6,923,193	873,561	9,295,348
<b>LIABILITIES:</b>				
Accounts Payable	2,452	-	15,905	18,357
Accrued Liabilities	1,147	-	27,342	28,489
Due to Other Funds	-	-	81,713	81,713
<b>TOTAL LIABILITIES</b>	3,599	-	124,960	128,559
<b>NET ASSETS:</b>				
Invested in Capital Assets	1,215,854	-	127,992	1,343,846
Restricted	238,236	25,189	-	263,425
Unrestricted	40,905	6,898,004	620,609	7,559,518
<b>TOTAL NET ASSETS</b>	\$ 1,494,995	\$ 6,923,193	\$ 748,601	\$ 9,166,789

# County of Cheboygan, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds Year Ended December 31, 2007

	Enterprise Funds			
	Marina	Delinquent Tax	Other Funds	Totals
<b>OPERATING REVENUES:</b>				
Federal Revenue - Operations	\$ -	\$ -	\$ 115,849	\$ 115,849
State Revenue - Operations	-	-	273,014	273,014
Local Revenue - Operations	-	-	13,316	13,316
Charges for Services	528,271	125,460	509,976	1,163,707
Interest & Rentals	-	343,574	-	343,574
<b>TOTAL OPERATING REVENUES</b>	<b>528,271</b>	<b>469,034</b>	<b>912,155</b>	<b>1,909,460</b>
<b>OPERATING EXPENSES:</b>				
Personal Services	133,766	-	491,503	625,269
Contractual Services	3,403	-	56,128	59,531
Utilities	15,155	-	2,167	17,322
Repairs & Maintenance	14,141	-	55,556	69,697
Other Supplies & Expenses	369,255	24,720	216,873	610,848
Depreciation	56,872	-	104,335	161,207
<b>TOTAL OPERATING EXPENSES</b>	<b>592,592</b>	<b>24,720</b>	<b>926,562</b>	<b>1,543,874</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(64,321)</b>	<b>444,314</b>	<b>(14,407)</b>	<b>365,586</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest on Deposits	13,010	240,409	15,936	269,355
Interest Expense	-	(3,191)	-	(3,191)
<b>TOTAL NON-OPERATING REVENUES</b>	<b>13,010</b>	<b>237,218</b>	<b>15,936</b>	<b>266,164</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(51,311)</b>	<b>681,532</b>	<b>1,529</b>	<b>631,750</b>
Transfers In	-	-	75,287	75,287
<b>CHANGE IN NET ASSETS</b>	<b>(51,311)</b>	<b>681,532</b>	<b>76,816</b>	<b>707,037</b>
<b>NET ASSETS, JANUARY 1</b>	<b>1,546,306</b>	<b>6,241,661</b>	<b>722,139</b>	<b>8,510,106</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>(50,354)</b>	<b>(50,354)</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 1,494,995</b>	<b>\$ 6,923,193</b>	<b>\$ 748,601</b>	<b>\$ 9,166,789</b>

# County of Cheboygan, Michigan

## Statement of Cash Flows Proprietary Funds Year Ended December 31, 2007

	Enterprise Funds			
	Marina	Delinquent Tax	Other Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 530,696	\$ 473,903	\$ 517,589	\$ 1,522,188
Receipts from Governmental Units	-	-	397,633	397,633
Payments to Suppliers	(415,047)	(780,265)	(331,091)	(1,526,403)
Payments to Employees	(133,504)	-	(489,209)	(622,713)
Net Cash Provided (Used) by Operating Activities	(17,855)	(306,362)	94,922	(229,295)
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Prior Period Adjustment	-	-	(50,354)	(50,354)
Transfers In	-	-	75,287	75,287
Net Cash Provided by Non-Capital And Related Financing Activities	-	-	24,933	24,933
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Notes Payable Proceeds	-	500,000	-	500,000
Principal Payments	-	(500,000)	-	(500,000)
Interest Payments	-	(3,191)	-	(3,191)
Net Cash (Used) by Capital and Related Financing Activities	-	(3,191)	-	(3,191)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on Deposits	13,010	240,409	15,936	269,355
Net Cash Provided by Investing Activities	13,010	240,409	15,936	269,355
Net Increase (Decrease) in Cash and Equivalents	(4,845)	(69,144)	135,791	61,802
Cash and Equivalents - Beginning of the Year	260,316	4,943,582	507,523	5,711,421
Cash and Equivalents - End of the Year	\$ 255,471	\$ 4,874,438	\$ 643,314	\$ 5,773,223
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (64,321)	\$ 444,314	\$ (14,407)	\$ 365,586
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	56,872	-	104,335	161,207
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable	2,425	4,869	(23,206)	(15,912)
Taxes Receivable	-	(456,336)	-	(456,336)
Interest Receivable	-	(71,959)	-	(71,959)
Prepaid Expenses and Inventories	(2,989)	-	-	(2,989)
Increase (Decrease) in Liabilities:				
Accounts Payable	2,334	-	(4,280)	(1,946)
Accrued Liabilities	262	-	6,207	6,469
Due to Other Funds	(12,438)	(227,250)	26,273	(213,415)
Net Cash Provided (Used) by Operating Activities	\$ (17,855)	\$ (306,362)	\$ 94,922	\$ (229,295)

# County of Cheboygan, Michigan

## Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2007

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Equivalents:	
Unrestricted	<u>\$      563,502</u>
 TOTAL ASSETS	 <u><u>\$      563,502</u></u>
 <b>LIABILITIES:</b>	
Due to Others	\$      172,874
Court Items Payable	162,527
Other Liabilities	<u>228,101</u>
 TOTAL LIABILITIES	 <u><u>\$      563,502</u></u>

## **Notes to the Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Cheboygan, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

**A – Reporting Entity:**

The County of Cheboygan, Michigan, is a public corporation created under the Constitution and Statutes of the State of Michigan with the County Seat located in the City of Cheboygan. The County operates under an elected Board of Commissioners (seven members) and provides services to its 26,448 residents (per 2000 census) in many areas, including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and cultural activities.

**Component Unit:**

In conformity with U.S. generally accepted accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

**Discretely Presented Component Unit**

The component unit column in the government-wide financial statements include the financial data of the only component unit of the County. The following is a summary of the component unit:

Cheboygan County Road Commission - The County Road Commission is considered part of the County reporting entity for financial reporting purposes. The Road Commission is governed by a board elected by the electorate of Cheboygan County. The Road Commission may not issue debt or levy taxes without the approval of the County Board of Commissioners. However, this component unit of Cheboygan County has been audited and reported separately. Complete financial statements of the individual component unit can be obtained from the following:

Cheboygan County Road Commission  
5302 South Straits Highway  
Indian River, MI 49747

**Multi-County Agencies**

The County participates jointly in the operation of the District Health Department Office #4 with Alpena, Presque Isle, and Montmorency Counties. All Financial operations of the District Health Department Office #4 are recorded in the financial statements of Alpena County. The funding formula requires the County to provide approximately 30% of the budget appropriation requirement, which amounted to \$217,506 for the year ended December 31, 2007. This expenditure was made from the General Fund.

The County participated in the North Country Community Mental Health Authority (the “Authority”) with Charlevoix, Otsego, Emmet, Kalkaska, and Antrim Counties. Financial statements for the Authority can be obtained from the Authority. The County contributed \$111,995 for the year ended December 31, 2007. This expenditure was made from the General Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Regional Joint Operations**

The County contributes annually to the Cheboygan Airport Authority. The Cheboygan Airport Authority operates with a separate treasurer. The County's contribution for the year ended December 31, 2007 was \$55,000. Financial statements for the Cheboygan Airport Authority may be obtained through the Cheboygan County Airport, 1520 Levering Road, Cheboygan, Michigan, 49721.

The County, together with Charlevoix and Emmet Counties, has jointly established the C.C.E. Central Dispatch Authority (the "C.C.E."), which is a Michigan municipal body formed by, and on behalf of participating municipalities located within the counties of Charlevoix, Cheboygan and Emmet, through the auspices of the Inter-governmental Contracts between Municipalities Act, Urban Cooperation Act, and Emergency Telephone Service Enabling Act. The County is required to contribute annually to the operations of the C.C.E. The funding formula, which is reviewed every five years, calls for each County to provide 20% of the required funding (total 60% for the three counties), plus their prorata share of the remainder, based on telephone lines. The County's share for the year ended December 31, 2007 was \$392,924. The purpose of the C.C.E. is to centralize the dispatch of emergency service responders in the three county areas. Financial statements for the C.C.E. may be obtained through C.C.E. Central Dispatch Authority, P.O. box 866, Petoskey, Michigan, 49770.

**B – Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections and services. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Taxes Receivable – Current and Property Taxes**

The County of Cheboygan property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Cheboygan as of the preceding December 31st.

Although the County of Cheboygan's 2006 ad valorem tax is levied and collectible on December 1, 2006 and 2007 on July 1, 2007, it is the County of Cheboygan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from delinquent tax revolving funds within one year.

The 2006 taxable valuation of the County of Cheboygan totaled \$1,217,447,093, on which ad valorem taxes levied consisted of 1.669 mills for the County operating and .4900 mills for Senior Services, raising \$2,031,919 for operating and \$596,549 for Senior Services. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The July 1, 2007 taxable valuation of the County of Cheboygan totaled \$1,299,997,100, on which ad valorem taxes levied consisted of 5.6734 mills for the General Fund, raising \$7,375,404 for operating. This amount is recognized in the General Fund financial statements as revenue.

The County utilized \$1,806,365 in taxes for the Revenue Sharing Reserve. This amount is approximately equal to 1/3 of the County's operating levy in 2004. These taxes are utilized from the December levy of the General Fund.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

**General Fund**

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Revenue Sharing Reserve Fund**

This fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

**Housing Commission Fund**

This fund accounts for housing programs provided to the citizens of Cheboygan County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inverness Sewer Debt Fund**

This fund accounts for the repayment of Inverness Township's sewer bond from Rural Development.

The County reports the following major proprietary funds:

**Marina Fund**

This fund accounts for the operations of the County marina.

**Delinquent Tax Fund**

This fund accounts for the collection of delinquent property taxes.

Additionally, the County reports the following fund types:

**Special Revenue Funds**

These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

**Enterprise Funds**

These funds account for the County's business-type operations that provide services to residents of the County for a fee.

**Agency Funds**

These funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D - Assets, Liabilities, and Net Assets or Equity:**

Bank Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain other expenditures are recorded as prepaid assets in the fund level and government-wide financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40	years
Building Improvements	15	years
Computer Equipment	5	years
Land Improvements	15	years
Office Equipment	5 to 10	years
Other Equipment	5	years
Software	3	years
Vehicles	4 to 7	years

The estimated useful lives for the component unit are as follows:

Bridges	25 to 50	years
Building and Improvements	40	years
Equipment	5 to 8	years
Roads	8 to 20	years

Compensated Absences – Primary Government – It is the County’s policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences – Component Unit – In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payments for unused sick leave and vacation under formulas and conditions specified in the contracts. All amounts vested are accrued in the government-wide statements (statement of net assets).

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 requires that budgets be adopted for governmental funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the governmental fund types for which budgets were legally adopted. The original budget adopted for the General Fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the line item.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents					
- Unrestricted	\$ 7,801,011	\$ 5,534,987	\$ 13,335,998	\$ 563,502	\$ 871,970
- Restricted	<u>-</u>	<u>238,236</u>	<u>238,236</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,801,011</u>	<u>\$ 5,773,223</u>	<u>\$ 13,574,234</u>	<u>\$ 563,502</u>	<u>\$ 871,970</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 13,572,514	\$ 563,502	\$ 871,670
Petty Cash and Cash on Hand	<u>1,720</u>	<u>-</u>	<u>300</u>
Total	<u>\$ 13,574,234</u>	<u>\$ 563,502</u>	<u>\$ 871,970</u>

*Interest rate risk.* The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$15,070,938 of the County's bank balance of \$15,633,678 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Cash has been restricted in the Marina for construction in the amount of \$238,236.

The County's deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - RECEIVABLES**

On May 1, 2002, Inverness Township entered into a contract with the County. This contract provides among other things that the County will finance a portion of this project in anticipation of sufficient payments to be made by the Township to pay the principal and interest on the loan. The outstanding lease receivable recorded in the accompanying basic financial statements is offset by deferred revenue because it is not available for use by the County. The loan consists of a series of notes ranging in amounts of \$40,000 to \$100,000, with maturity dates from September 1, 2007 to September 1, 2024 with interest charged at 4.625%.

On December 10, 2002 the County borrowed \$3,419,000 from the United States Department of Agriculture under the provisions of the consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) for the development of a sewer extension in Inverness Township.

The Township has pledged its full faith and credit for the repayment of the loan. Neither the full faith and credit nor the taxing power of the County is pledged for the payment of the notes; therefore, the debt has not been recorded in the accompanying basic financial statements.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,218,280	\$ -	\$ -	\$ 3,218,280
Subtotal	<u>3,218,280</u>	<u>-</u>	<u>-</u>	<u>3,218,280</u>



**NOTE 5 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Land improvements	\$ 40,967	\$ -	\$ -	\$ 40,967
Buildings and improvements	6,713,368	36,732	-	6,750,100
Machinery and equipment	841,399	160,512	(13,680)	988,231
Vehicles	<u>678,429</u>	<u>136,824</u>	<u>(39,363)</u>	<u>775,890</u>
Subtotal	<u>8,274,163</u>	<u>334,068</u>	<u>(53,043)</u>	<u>8,555,188</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	(10,882)	(2,732)	-	(13,614)
Buildings and improvements	(3,304,978)	(172,396)	-	(3,477,374)
Machinery and equipment	(483,290)	(97,632)	11,578	(569,344)
Vehicles	<u>(424,929)</u>	<u>(79,953)</u>	<u>29,854</u>	<u>(475,028)</u>
Subtotal	<u>(4,224,079)</u>	<u>(352,713)</u>	<u>41,432</u>	<u>(4,535,360)</u>
Net Capital Assets Being Depreciated	<u>4,050,084</u>	<u>(18,645)</u>	<u>(11,611)</u>	<u>4,019,828</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 7,268,364</u>	<u>\$ (18,645)</u>	<u>\$ (11,611)</u>	<u>\$ 7,238,108</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Judicial	\$ 21,259
General Government	117,980
Public Safety	165,331
Health and Welfare	40,098
Recreation & Cultural	<u>8,045</u>
Total Governmental Activities	<u>\$ 352,713</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 550,297	\$ -	\$ -	\$ 550,297
Land improvements	995,961	-	-	995,961
Machinery and equipment	85,985	-	-	85,985
Transportation equipment	771,772	-	-	771,772
Docks	<u>507,782</u>	<u>-</u>	<u>-</u>	<u>507,782</u>
Subtotal	<u>2,911,797</u>	<u>-</u>	<u>-</u>	<u>2,911,797</u>

**NOTE 5 - CAPITAL ASSETS (Continued)**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(259,709)	(15,298)	-	(275,007)
Land improvements	(311,387)	(23,756)	-	(335,143)
Machinery and equipment	(75,144)	(7,622)	-	(82,766)
Transportation equipment	(544,021)	(100,793)	-	(644,814)
Docks	(216,483)	(13,738)	-	(230,221)
Subtotal	(1,406,744)	(161,207)	-	(1,567,951)
Net Capital Assets Being Depreciated	1,505,053	(161,207)	-	1,343,846
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,505,053</u>	<u>\$ (161,207)</u>	<u>\$ -</u>	<u>\$ 1,343,846</u>

Depreciation expense of \$56,872 and \$104,335 was allocated to the Marina and Straits Regional Ride, respectively.

A summary of changes in the component unit's capital assets are as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Removals</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 258,755	\$ -	\$ -	\$ 500	\$ 259,255
Land and improvements	7,785,293	741,205	-	-	8,526,498
Right of ways	87,808	-	-	(500)	87,308
Construction in progress	36,310	109,155	-	-	145,465
Subtotal	8,168,166	850,360	-	-	9,018,526
<i>Capital assets being depreciated:</i>					
Buildings and improvements	3,369,835	-	-	-	3,369,835
Road equipment	7,416,220	263,522	(138,679)	-	7,541,063
Shop equipment	242,013	2,050	(325)	-	243,738
Office equipment	89,388	1,185	-	-	90,573
Engineer's equipment	62,345	-	-	-	62,345
Yard and storage	194,724	1,600	-	-	196,324
Infrastructure – Roads	12,621,550	1,905,955	-	(491,147)	14,036,358
Infrastructure – Bridges	5,484,737	338,547	-	(4,812)	5,818,472
Depletable assets – Gravel pits	27,085	-	-	-	27,085
Subtotal	29,507,897	2,512,859	(139,004)	(495,959)	31,385,793

**NOTE 5 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Removals</u>	<u>Ending Balance</u>
<i>Less accumulated depreciation:</i>					
Building	(966,661)	(147,283)	-	-	(1,113,944)
Road equipment	(6,013,349)	(593,683)	137,244	-	(6,469,788)
Shop equipment	(115,604)	(17,205)	325	-	(132,484)
Office equipment	(73,336)	(5,844)	-	-	(79,180)
Engineer's equipment	(56,990)	(899)	-	-	(57,889)
Yard and storage	(97,342)	(18,637)	-	-	(115,979)
Infrastructure – Roads	(5,262,705)	(1,028,310)	-	491,147	(5,799,868)
Infrastructure – Bridges	(1,721,768)	(125,675)	-	4,812	(1,842,631)
Depletable assets	<u>(15,332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,332)</u>
Subtotal	<u>(14,323,087)</u>	<u>(1,937,536)</u>	<u>137,569</u>	<u>495,959</u>	<u>(15,627,095)</u>
Net Capital Assets Being Depreciated	<u>15,184,810</u>	<u>575,323</u>	<u>(1,435)</u>	<u>-</u>	<u>15,758,698</u>
Total Net Capital Assets	<u>\$ 23,352,976</u>	<u>\$ 1,425,683</u>	<u>\$ (1,435)</u>	<u>\$ -</u>	<u>\$ 24,777,224</u>

Depreciation expense of \$1,937,536 was charged to Public Works.

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		<b>DUE TO OTHER FUNDS</b>
<b>DUE FROM OTHER FUNDS</b>		<u>General</u>
	Housing Commission	\$ 1,672
	Straits Regional Ride	81,713
	Other Governmental Funds	<u>154,621</u>
	Total	<u>\$ 238,006</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**Interfund Transfers**

	TRANSFERS OUT			
	General	Revenue Sharing Reserve	Other Funds	Totals
TRANSFERS IN				
General	\$ -	\$ 484,048	\$ 117,269	\$ 601,317
Other Funds	600,972	-	-	600,972
Straits Regional Ride	75,287	-	-	75,287
Total	\$ 676,259	\$ 484,048	\$ 117,269	\$ 1,277,576

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - LONG-TERM DEBT**

County contractual agreements and installment purchase agreements are general obligations of the government.

Installment purchase agreements and contractual obligation activity can be summarized as follows for the year ended December 31, 2007:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Primary Government</b>					
Installment purchase contract with Citizens National Bank, maturing in fiscal 2007, with annual payments ranging from \$75,000 to \$140,000, plus interest ranging from 3.8% to 4.90%, secured by building.	\$ 140,000	\$ -	\$ 140,000	\$ -	\$ -
Total Primary Government Long-Term Debt	\$ 140,000	\$ -	\$ 140,000	\$ -	\$ -

**NOTE 7 - LONG-TERM DEBT (Continued)**

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Michigan Transportation Fund, Series 2004 Bonds, maturing serially through 2029 in annual amounts ranging from \$90,000 to \$195,000, and at interest rates ranging from 3.5% to 4.75%.	\$ 2,920,000	\$ -	\$ 85,000	\$ 2,835,000	\$ 90,000
Installment purchase contract for equipment, maturing in 2011, with annual payments ranging from \$38,945 to \$36,674, plus interest at 4.2%, secured by equipment.	195,927	-	37,345	158,582	38,944
Total Component Unit Long-Term Debt	<u>\$ 3,115,927</u>	<u>\$ -</u>	<u>\$ 122,345</u>	<u>\$ 2,993,582</u>	<u>\$ 128,944</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 128,945	\$ 124,808
2009	130,612	120,440
2010	132,351	115,913
2011	131,674	111,010
2012	95,000	106,856
2013-2017	535,000	474,573
2018-2022	650,000	352,010
2023-2027	810,000	188,387
2028-2029	380,000	18,287
Total	<u>\$ 2,993,582</u>	<u>\$ 1,612,284</u>

A summary of vested benefits payable for the primary government and component unit at December 31, 2007 is as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases (net)</u>	<u>Ending Balance</u>
Vacation	\$ 144,185	\$ 15,150	\$ 159,335
Sick	134,286	6,818	141,104
Total	<u>\$ 278,471</u>	<u>\$ 21,968</u>	<u>\$ 300,439</u>
<u>Component Unit</u>			
Vacation	\$ 19,850	\$ 1,128	\$ 20,978
Sick	320,448	25,768	346,216
Total	<u>\$ 340,298</u>	<u>\$ 26,896</u>	<u>\$ 367,194</u>

**NOTE 7 - LONG-TERM DEBT (Continued)**Vested Employee Benefits – Primary Government

Vacation is earned in varying amounts depending on the number of years of services of an employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, 25 days for administrative and nonunion supervisory employees. Vacation is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of 1 day for each month of services, not to exceed a total accumulation of 45-100 days for court employees, 90 days for sheriff's department employees, and 30 days for all other employees.

Sick leave is payable at 50% at termination, retirement or death for the sheriff's department only.

Accrued Sick and Vacation – Component Unit

The accrued sick and vacation represents vested sick and vacation benefits due Road Commission employees upon termination of employment with the Road Commission. All amounts vested have been accrued on the government-wide statements.

**NOTE 8 - SHORT-TERM DEBT**

The following is a summary of short-term debt issued to purchase the 2006 Delinquent Taxes:

	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
General Obligation Limited					
2007 Tax Notes Series	5.563	\$ <u>          -</u>	\$ <u>500,000</u>	\$ <u>500,000</u>	\$ <u>          -</u>

**NOTE 9 - RISK MANAGEMENT**Primary Government

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

**NOTE 9 - RISK MANAGEMENT (Continued)**

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2007, the Authority had met the minimum requirements.

The County is a "state pool member" for the self-insured retention portion of liabilities and as such pays deductibles of only \$250 per vehicle and \$150 per occurrence for property and crime coverage. The County's annual MMRMA premium includes a fee to participate as a "state pool member" for self-insured retention.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

**Component Unit**

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Cheboygan County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self-Insurance Fund for worker's compensation self-insurance. The fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the fund.

**NOTE 9 - RISK MANAGEMENT (Continued)**

The Road Commission is self-insured for health care benefits with the administrative services of the program being performed by the health insurance company. The Road Commission makes monthly payment, based on estimated claims and a stop-loss provision, which are adjusted quarterly. The Road Commission pays claims up to \$40,000 per contract per contract year. Stop-loss insurance has been purchased to insure the Road Commission against losses in excess of these limits. Based on past history, the Road Commission has estimated the accrued health care claims, including an estimate for claims incurred but not reported (IBNR), of \$40,000 at December 31, 2007, which is recorded as current liabilities in the fund financial statements. Changes in the balance of claims liability are as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 40,000	\$ 40,000
Incurred claims (including IBNR's)	708,104	1,009,238
Claims paid	<u>(708,104)</u>	<u>(1,009,238)</u>
Unpaid claims, end of year	40,000	40,000
Less current portion	<u>(40,000)</u>	<u>(40,000)</u>
Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>

**NOTE 10 - CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2007.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS****PRIMARY GOVERNMENT****Description of Plan and Plan Assets**

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.



**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**
Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the year ended December 31, 2007, the County's contributions totaling \$450,421 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 10,368,117	\$ 11,100,677	\$ 12,064,231
Actuarial Accrued Liability	12,154,129	13,027,931	13,948,511
Unfunded AAL	1,786,012	1,927,254	1,884,280
Funded Ratio	85%	85%	86%
Covered Payroll	\$ 3,980,598	\$ 4,036,047	\$ 4,441,610
UAAL as a Percentage of Covered Payroll	45%	48%	42%

<u>Three Year Trend Information</u>			
<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 356,436	100%	\$ 0
2006	378,050	100%	0
2007	450,421	100%	0

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****COMPONENT UNIT****Plan Description**

The Cheboygan County Road Commission participates in the Michigan Municipal Employees Retirement System (MERS); a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Act of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding Policy**

The plan adopted by the Board of County Road Commissioners requires general employees to contribute 4.36% of their annual compensation through August 31 2007, and 2.0% of their annual compensation effective September 1, 2007, with 0% to 2% required for salaried and supervisory employees. The Road Commission is required to contribute at an actuarially determined rate; the weighted average rate for 2007 was 18.69% for general employees, 39.82% for salaried employees. The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

**Annual Pension Cost**

For the year ended December 31, 2007, the Road Commission's annual pension cost of \$466,651 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 8.4% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. The standard amortization period to fund the unfunded liability is 30 years for positive unfunded liabilities in the 2005 valuation. This period will be reduced by one year in each of the next five annual valuations. Beginning with the 2011 valuation the 25-year period will be reestablished with each annual valuation. The standard amortization period for negative unfunded liabilities is 10 years, with the 10-year period reestablished with each annual actuarial valuation.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31, follows:

	2004	2005	2006
Actuarial Value of Assets	\$ 8,527,856	\$ 8,867,942	\$ 9,313,327
Actuarial Accrued Liability	13,782,867	14,449,667	15,169,395
Unfunded AAL	5,255,011	5,581,725	5,856,068
Funded Ratio	62%	61%	61%
Covered Payroll	\$ 1,937,668	\$ 1,955,250	\$ 1,961,293
UAAL as a Percentage of Covered Payroll	271%	285%	299%

Three Year Trend Information			
Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 450,355	100%	\$ 0
2006	479,214	100%	0
2007	466,651	100%	0

**NOTE 12 - POST EMPLOYMENT BENEFITS**
**COMPONENT UNIT**

In addition to the pension benefits described in Note 11, the Cheboygan County Road Commission provides post employment health care to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. Expenditures for post employment health care benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2007 these costs amounted to approximately \$456,175 with 34 eligible participants.

**NOTE 13 - NET ASSETS RESTRICTED/FUND EQUITY RESERVES**

Net assets restrictions/fund equity reserves can be described as follows:

Revenue Sharing Reserve	\$ 3,820,613	Reserved for Revenue Sharing
Marina	238,236	Restricted for Construction
Delinquent Tax	25,189	Restricted for Tax Administration

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

Net assets of business-type activities will be decreased as follows:

Beginning Net Assets January 1, 2007	\$ 227,468
Adjustment for 2006 expenses not accrued	(42,735)
Adjustment for operating grants not realizable as revenue	<u>(7,619)</u>
Restated Net Assets December 31, 2007	<u>\$ 177,114</u>

## **Required Supplementary Information**

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# County of Cheboygan, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ 5,606,176	\$ 5,606,176	\$ 7,935,421	\$ 2,329,245
Licenses & Permits	62,300	62,300	46,233	(16,067)
Federal Sources	102,471	102,471	109,225	6,754
State Sources	632,565	642,065	671,328	29,263
Local Sources	129,400	132,892	144,735	11,843
Charges for Services	1,079,578	1,079,578	1,124,252	44,674
Fines & Penalties	48,000	53,866	52,739	(1,127)
Interest & Rentals	215,000	215,000	297,429	82,429
Refunds & Reimbursements	221,237	223,487	298,868	75,381
Other Revenue	3,350	6,450	7,359	909
TOTAL REVENUES	8,100,077	8,124,285	10,687,589	2,563,304
EXPENDITURES:				
Legislative:				
Board of Commissioners	133,338	136,252	132,238	4,014
Judicial:				
Circuit Court	350,491	367,987	364,794	3,193
District Court	518,396	537,394	490,946	46,448
Victim's Rights	37,887	47,560	47,382	178
Jury Board	8,400	8,400	7,820	580
Probate Court	620,117	633,458	626,995	6,463
Juvenile Accountability	13,305	13,305	12,580	725
Total Judicial	1,548,596	1,608,104	1,550,517	57,587
General Government:				
Elections	12,625	12,625	1,282	11,343
Finance	168,376	175,671	174,963	708
Administrative Office	154,658	165,836	165,328	508
County Clerk/Register of Deeds	377,484	383,289	370,173	13,116
Equalization	286,946	295,488	281,338	14,150
Information Systems	218,299	223,478	208,070	15,408
Prosecuting Attorney	519,219	528,931	523,386	5,545
DARE	1,200	1,200	463	737
Treasurer	211,379	212,085	211,807	278
Maintenance	420,350	420,778	377,390	43,388
Major Equipment & Building	115,500	183,321	150,438	32,883
Human Resources	72,053	75,476	73,949	1,527
Drain Commission	2,800	3,300	3,207	93
County Surveyor	750	750	750	-
MSU Extension	103,602	107,227	102,821	4,406
Soil Conservation	15,286	15,286	14,996	290
General	539,453	540,711	524,230	16,481
Total General Government	3,219,980	3,345,452	3,184,591	160,861

# County of Cheboygan, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	\$ 1,033,237	\$ 1,164,381	\$ 1,134,522	\$ 29,859
ORV Enforcement	19,763	19,766	16,608	3,158
CCE 911	408,786	408,786	392,924	15,862
Marine Safety	102,809	108,820	103,924	4,896
Snowmobile Safety	34,413	43,681	44,987	(1,306)
Secondary Road Patrol	144,246	148,212	144,616	3,596
Local Grants	6,920	7,407	5,216	2,191
Federal Grants	14,000	14,000	13,278	722
Canine Unit	5,350	7,060	4,318	2,742
Corrections/Communications	1,267,778	1,297,459	1,280,802	16,657
Planning & Zoning	244,035	285,521	233,222	52,299
Emergency Services	37,600	40,440	32,323	8,117
LEPC	625	625	296	329
Animal Control	119,000	120,538	120,211	327
Total Public Safety	3,438,562	3,666,696	3,527,247	139,449
Health & Welfare:				
Ambulance	70,000	70,000	70,000	-
Health Department	219,800	219,800	217,506	2,294
Mental Health	111,995	111,995	111,995	-
Medical Examiner	24,960	41,460	39,427	2,033
Veterans Services	108,531	116,809	114,609	2,200
Housing	84,365	84,761	84,533	228
Total Health & Welfare	619,651	644,825	638,070	6,755
Recreation & Culture:				
Airport	67,063	67,063	56,125	10,938
Other Expenditures:				
NEMCOG	8,297	8,297	8,297	-
Insurance	140,300	145,200	145,200	-
Other Miscellaneous	145,613	300	300	-
Total Other Expenditures	294,210	153,797	153,797	-
TOTAL EXPENDITURES	9,321,400	9,622,189	9,242,585	379,604
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,221,323)	(1,497,904)	1,445,004	2,942,908
OTHER FINANCING SOURCES (USES):				
Transfers In	1,713,718	1,713,718	601,317	(1,112,401)
Transfers Out	(726,944)	(872,223)	(676,259)	195,964
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (234,549)	\$ (656,409)	1,370,062	\$ 2,026,471
FUND BALANCE, JANUARY 1			2,226,408	
FUND BALANCE, DECEMBER 31			\$ 3,596,470	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Revenue Sharing Reserve Fund  
Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,830,000	\$ 1,830,000	\$ -	\$ (1,830,000)
TOTAL REVENUES	1,830,000	1,830,000	-	(1,830,000)
OTHER FINANCING SOURCES (USES):				
Transfers Out	(480,780)	(484,048)	(484,048)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 1,349,220	\$ 1,345,952	(484,048)	\$ (1,830,000)
FUND BALANCE, JANUARY 1			4,304,661	
FUND BALANCE, DECEMBER 31			\$ 3,820,613	



# County of Cheboygan, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Housing Commission Fund Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 199,777	\$ 199,777	\$ 102,032	\$ (97,745)
Interest & Rentals	1,500	1,500	1,925	425
Other Revenue	52,000	119,286	62,187	(57,099)
TOTAL REVENUES	253,277	320,563	166,144	(154,419)
EXPENDITURES:				
Health & Welfare	286,477	353,763	152,130	201,633
TOTAL EXPENDITURES	286,477	353,763	152,130	201,633
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (33,200)	\$ (33,200)	14,014	\$ 47,214
FUND BALANCE, JANUARY 1			109,163	
FUND BALANCE, DECEMBER 31			\$ 123,177	

## **Other Supplementary Information**

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**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

Special Revenue Funds										
	Family Counseling	Termination Liability	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Gypsy Motif	Jaws of Life	
<b>ASSETS:</b>										
Cash & Equivalents - Unrestricted	\$ 4,853	\$ 60,562	\$ 10,031	\$ -	\$ 10,840	\$ 5,790	\$ -	\$ 31,600	\$ 14,532	
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	
Taxes	-	-	-	-	-	-	-	-	-	
Due from Governmental Units	-	-	-	4,808	-	-	50,790	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 4,853</b>	<b>\$ 60,562</b>	<b>\$ 10,031</b>	<b>\$ 4,808</b>	<b>\$ 10,840</b>	<b>\$ 5,790</b>	<b>\$ 50,790</b>	<b>\$ 31,600</b>	<b>\$ 14,532</b>	
<b>LIABILITIES:</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,404	\$ 14	\$ -	\$ 1,200	\$ -	\$ -	
Accrued Liabilities	-	-	-	-	-	-	-	-	-	
Due to Other Funds	-	-	-	2,404	-	-	25,843	-	-	
Deferred Revenue	-	-	-	-	-	-	-	-	-	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,808</b>	<b>14</b>	<b>-</b>	<b>27,043</b>	<b>-</b>	<b>-</b>	
<b>FUND BALANCES:</b>										
Unreserved										
Designated for Subsequent Year's Expenditures	4,000	60,562	-	-	-	5,700	-	-	-	
Undesignated	853	-	10,031	-	10,826	90	23,747	31,600	14,532	
<b>TOTAL FUND BALANCES</b>	<b>4,853</b>	<b>60,562</b>	<b>10,031</b>	<b>-</b>	<b>10,826</b>	<b>5,790</b>	<b>23,747</b>	<b>31,600</b>	<b>14,532</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,853</b>	<b>\$ 60,562</b>	<b>\$ 10,031</b>	<b>\$ 4,808</b>	<b>\$ 10,840</b>	<b>\$ 5,790</b>	<b>\$ 50,790</b>	<b>\$ 31,600</b>	<b>\$ 14,532</b>	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2007

Special Revenue Funds										
	Community Projects	SANE	Friend of the Court	Recycling	Cellular Phone	911.4% Surcharge	Brownfield Redevelopment	Public Improvement	Building Department	
<b>ASSETS:</b>										
Cash & Equivalents - Unrestricted	\$ 2,813	\$ -	\$ 3,199	\$ 37,130	\$ -	\$ -	\$ -	\$ 9,697	\$ 143,283	
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	
Taxes	-	-	-	-	-	-	-	-	-	
Due from Governmental Units	-	17,645	69,161	-	-	-	37,744	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 2,813</b>	<b>\$ 17,645</b>	<b>\$ 72,360</b>	<b>\$ 37,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,744</b>	<b>\$ 9,697</b>	<b>\$ 143,283</b>	
<b>LIABILITIES:</b>										
Accounts Payable	\$ -	\$ -	\$ 1,803	\$ 36,540	\$ -	\$ -	\$ 12,470	\$ -	\$ 118	
Accrued Liabilities	-	1,567	7,154	590	-	-	-	-	4,703	
Due to Other Funds	-	2,309	619	-	-	-	25,274	-	227	
Deferred Revenue	-	-	-	-	-	-	-	-	-	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,876</b>	<b>9,576</b>	<b>37,130</b>	<b>-</b>	<b>-</b>	<b>37,744</b>	<b>-</b>	<b>5,048</b>	
<b>FUND BALANCES:</b>										
Unreserved										
Designated for Subsequent Year's Expenditures	-	812	18,778	-	-	-	-	-	-	
Undesignated	2,813	12,957	44,006	-	-	-	-	9,697	138,235	
<b>TOTAL FUND BALANCES</b>	<b>2,813</b>	<b>13,769</b>	<b>62,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,697</b>	<b>138,235</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,813</b>	<b>\$ 17,645</b>	<b>\$ 72,360</b>	<b>\$ 37,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,744</b>	<b>\$ 9,697</b>	<b>\$ 143,283</b>	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2007

	Special Revenue Funds										
	Register of Deeds Automation	Disaster Contingency	Local Officer Training	Law Library	Veteran's Assistance	SAYPA Program	Senior Citizen's Millage	Social Services Medical	Department of Human Services		
ASSETS:											
Cash & Equivalents - Unrestricted	\$ 188,974	\$ 10,000	\$ 4,549	\$ 1,751	\$ 943	\$ 42,724	\$ 80,376	\$ -	\$ -		
Receivables:											
Accounts	-	-	-	-	-	-	-	2,717	-		
Taxes	-	-	-	-	-	-	629,588	-	-		
Due from Governmental Units	-	-	-	-	-	16,599	-	-	-		
TOTAL ASSETS	\$ 188,974	\$ 10,000	\$ 4,549	\$ 1,751	\$ 943	\$ 59,323	\$ 709,964	\$ 2,717	\$ -		
LIABILITIES:											
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,701	\$ 796	\$ 2,101	\$ -	\$ -	\$ -		
Accrued Liabilities	-	-	-	-	-	249	-	-	-		
Due to Other Funds	-	-	-	-	-	-	-	2,717	-		
Deferred Revenue	-	-	-	-	-	-	629,588	-	-		
TOTAL LIABILITIES	-	-	-	1,701	796	2,350	629,588	2,717	-		
FUND BALANCES:											
Unreserved	-	10,000	-	-	-	12,434	-	-	-		
Designated for Subsequent Year's Expenditures	188,974	-	4,549	50	147	44,539	80,376	-	-		
Undesignated	-	-	-	-	-	-	-	-	-		
TOTAL FUND BALANCES	188,974	10,000	4,549	50	147	56,973	80,376	-	-		
TOTAL LIABILITIES AND FUND BALANCES	\$ 188,974	\$ 10,000	\$ 4,549	\$ 1,751	\$ 943	\$ 59,323	\$ 709,964	\$ 2,717	\$ -		

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2007

	Special Revenue Funds										
	Child Care	Veteran's Trust	Senior Citizens Busing	Probate Court	Courthouse Preservation	F.I.A. Building	CCE 911 Capital	County Fair	Totals		
ASSETS:											
Cash & Equivalents - Unrestricted	\$ -	\$ 711	\$ -	\$ 12,302	\$ 210,280	\$ -	\$ 92,718	\$ 51,030	\$	1,030,688	
Receivables:											
Accounts	15,070	-	-	-	-	-	-	-	-	17,787	
Taxes	-	-	-	-	-	-	-	-	-	629,588	
Due from Governmental Units	92,683	-	-	-	-	-	-	-	-	289,430	
TOTAL ASSETS	\$ 107,753	\$ 711	\$ -	\$ 12,302	\$ 210,280	\$ -	\$ 92,718	\$ 51,030	\$	1,967,493	
LIABILITIES:											
Accounts Payable	\$ 11,455	\$ -	\$ -	\$ -	\$ 5,927	\$ -	\$ -	\$ 300	\$	76,829	
Accrued Liabilities	1,070	-	-	-	558	-	-	-	-	15,891	
Due to Other Funds	95,228	-	-	-	-	-	-	-	-	154,621	
Deferred Revenue	-	-	-	-	-	-	-	-	-	629,588	
TOTAL LIABILITIES	107,753	-	-	-	6,485	-	-	300	-	876,929	
FUND BALANCES:											
Unreserved	-	-	-	10,000	190,000	-	-	-	-	312,286	
Designated for Subsequent Year's Expenditures	-	711	-	2,302	13,795	-	92,718	50,730	-	778,278	
Undesignated	-	-	-	-	-	-	-	-	-	-	
TOTAL FUND BALANCES	-	711	-	12,302	203,795	-	92,718	50,730	-	1,090,564	
TOTAL LIABILITIES AND FUND BALANCES	\$ 107,753	\$ 711	\$ -	\$ 12,302	\$ 210,280	\$ -	\$ 92,718	\$ 51,030	\$	1,967,493	

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2007

	Special Revenue Funds									
	Family Counseling	Termination Liability	PA 302 Training	Public Act 106	Probation Enhancement	Victim's Restitution	Remonumentation Grant	Gypsy Moth	Jaws of Life	
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Federal Sources	-	-	-	-	-	-	-	-	-	
State Sources	-	-	4,364	167,665	-	-	84,654	-	-	
Local Sources	-	-	-	-	-	-	-	-	-	
Contributions	-	-	-	-	-	-	-	-	-	
Charges for Services	-	-	-	-	-	-	-	-	-	
Fines & Penalties	-	-	-	-	3,610	-	-	-	-	
Interest & Rentals	-	217	-	-	-	-	-	-	-	
Other Revenues	2,930	-	-	-	-	-	-	-	-	
TOTAL REVENUES	2,930	217	4,364	167,665	3,610	-	84,654	-	-	
EXPENDITURES:										
Judicial	-	-	-	-	-	-	-	-	-	
General Government	-	51,638	-	83,832	-	-	84,654	-	-	
Public Safety	-	-	4,799	-	1,334	-	-	-	-	1,253
Health & Welfare	450	-	-	-	-	-	-	-	-	
Recreation & Culture	-	-	-	-	-	-	-	-	-	
Capital Outlay	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	
TOTAL EXPENDITURES	450	51,638	4,799	83,832	1,334	-	84,654	-	-	1,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,480	(51,421)	(435)	83,833	2,276	-	-	-	-	(1,253)
OTHER FINANCING SOURCES (USES):										
Transfers In	-	30,000	-	-	-	-	-	-	-	3,500
Transfers Out	-	-	-	(83,833)	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,480	(21,421)	(435)	-	2,276	-	-	-	-	2,247
FUND BALANCES, January 1	2,373	81,983	10,466	-	8,550	5,790	23,747	31,600		12,285
FUND BALANCES, December 31	\$ 4,853	\$ 60,562	\$ 10,031	\$ -	\$ 10,826	\$ 5,790	\$ 23,747	\$ 31,600	\$	\$ 14,532

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2007

Special Revenue Funds										
	Community Projects	SANE	Friend of the Court	Recycling	Cellular Phone	911 4% Surcharge	Brownfield Redevelopment	Public Improvement	Building Department	
<b>REVENUES:</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal Sources	-	36,908	302,202	-	-	-	79,081	-	-	-
State Sources	-	36,907	-	-	-	-	-	-	-	-
Local Sources	-	-	39,906	-	-	-	-	-	-	-
Contributions	2,220	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	34,941	-	-	-	-	-	-	316,591
Fines & Penalties	-	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	116,694	137,338	-	-	-	54
<b>TOTAL REVENUES</b>	<b>2,220</b>	<b>73,815</b>	<b>377,049</b>	<b>-</b>	<b>116,694</b>	<b>137,338</b>	<b>79,081</b>	<b>-</b>	<b>-</b>	<b>316,645</b>
<b>EXPENDITURES:</b>										
Judicial	-	-	415,491	-	-	-	-	-	-	-
General Government	-	-	-	1,552	-	-	79,081	-	-	-
Public Safety	1,222	71,577	-	-	116,694	137,338	-	-	-	320,789
Health & Welfare	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	5,247	36,540	-	-	-	-	-	8,211
Debt Service	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,222</b>	<b>71,577</b>	<b>420,738</b>	<b>38,092</b>	<b>116,694</b>	<b>137,338</b>	<b>79,081</b>	<b>-</b>	<b>-</b>	<b>329,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>998</b>	<b>2,238</b>	<b>(43,689)</b>	<b>(38,092)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,355)</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers In	-	-	35,950	38,092	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>998</b>	<b>2,238</b>	<b>(7,739)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,355)</b>
<b>FUND BALANCES, January 1</b>	<b>1,815</b>	<b>11,531</b>	<b>70,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,697</b>	<b>-</b>	<b>150,590</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 2,813</b>	<b>\$ 13,769</b>	<b>\$ 62,784</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,697</b>	<b>\$ -</b>	<b>\$ 138,235</b>



Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2007

	Special Revenue Funds									
	Register of Deeds Automation	Disaster Contingency	Local Officer Training	Law Library	Veteran's Assistance	SAYPA Program	Senior Citizen's Millage	Social Services Medical	Department of Human Services	
<b>REVENUES:</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,376	\$ -	\$ -	-
Federal Sources	-	-	-	-	-	97,951	-	-	-	-
State Sources	-	-	-	-	-	-	-	-	-	10,097
Local Sources	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	13,024	59,269	-	-	-	-
Charges for Services	41,055	-	9,749	-	-	-	-	-	-	-
Fines & Penalties	-	-	-	-	-	-	-	-	-	-
Interest & Rentals	7,377	-	-	-	-	-	10,154	-	-	-
Other Revenues	-	-	-	3,500	-	119	-	500	-	420
<b>TOTAL REVENUES</b>	<b>48,432</b>	<b>-</b>	<b>9,749</b>	<b>3,500</b>	<b>13,024</b>	<b>157,339</b>	<b>596,530</b>	<b>500</b>	<b>500</b>	<b>10,517</b>
<b>EXPENDITURES:</b>										
Judicial	-	-	-	14,547	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	11,705	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	15,163	119,750	517,248	21,640	-	11,198
Recreation & Culture	-	-	-	-	-	-	-	-	-	-
Capital Outlay	5,586	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>5,586</b>	<b>-</b>	<b>11,705</b>	<b>14,547</b>	<b>15,163</b>	<b>119,750</b>	<b>517,248</b>	<b>21,640</b>	<b>21,640</b>	<b>11,198</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>42,846</b>	<b>-</b>	<b>(1,956)</b>	<b>(11,047)</b>	<b>(2,139)</b>	<b>37,589</b>	<b>79,282</b>	<b>(21,140)</b>	<b>(21,140)</b>	<b>(681)</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers In	3,000	-	-	11,026	-	-	-	15,358	-	-
Transfers Out	-	-	-	-	-	(33,436)	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>45,846</b>	<b>-</b>	<b>(1,956)</b>	<b>(21)</b>	<b>(2,139)</b>	<b>4,153</b>	<b>79,282</b>	<b>(5,782)</b>	<b>(5,782)</b>	<b>(681)</b>
<b>FUND BALANCES, January 1</b>	<b>143,128</b>	<b>10,000</b>	<b>6,505</b>	<b>71</b>	<b>2,286</b>	<b>52,820</b>	<b>1,094</b>	<b>5,782</b>	<b>5,782</b>	<b>681</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 188,974</b>	<b>\$ 10,000</b>	<b>\$ 4,549</b>	<b>\$ 50</b>	<b>\$ 147</b>	<b>\$ 56,973</b>	<b>\$ 80,376</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended December 31, 2007

Special Revenue Funds										
	Child Care	Veteran's Trust	Senior Citizens Busing	Probate Court	Courthouse Preservation	F.I.A. Building	CCE 911 Capital	County Fair	Totals	
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,376
Federal Sources	-	-	-	-	-	-	-	-	-	516,142
State Sources	285,862	17,875	57,382	-	-	-	-	20,646	-	685,452
Local Sources	-	-	-	-	-	-	-	-	-	39,906
Contributions	-	-	-	-	-	-	-	-	-	86,776
Charges for Services	9,379	-	-	9,993	-	-	-	12,263	-	543,626
Fines & Penalties	-	-	-	-	660	-	-	121,918	-	4,270
Interest & Rentals	-	-	-	-	-	1,307	-	-	-	19,055
Other Revenues	-	-	-	-	-	171,864	-	9,997	-	443,416
TOTAL REVENUES	295,241	17,875	57,382	9,993	660	173,171	-	164,824	-	2,925,019
EXPENDITURES:										
Judicial	-	-	-	1,257	-	-	-	-	-	431,295
General Government	-	-	-	-	-	-	-	-	-	300,757
Public Safety	-	-	-	-	-	-	-	-	-	666,711
Health & Welfare	614,566	17,361	57,382	-	-	90,232	-	-	-	1,464,990
Recreation & Culture	-	-	-	-	-	-	-	161,526	-	161,526
Capital Outlay	-	-	-	-	25,163	-	18,600	-	-	99,347
Debt Service	-	-	-	-	-	143,430	-	-	-	143,430
TOTAL EXPENDITURES	614,566	17,361	57,382	1,257	25,163	233,662	18,600	161,526	-	3,268,056
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(319,325)	514	-	8,736	(24,503)	(60,491)	(18,600)	3,298	-	(343,037)
OTHER FINANCING SOURCES (USES):										
Transfers In	303,378	-	-	-	43,352	-	111,316	6,000	-	600,972
Transfers Out	-	-	-	-	-	-	-	-	-	(117,269)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(15,947)	514	-	8,736	18,849	(60,491)	92,716	9,298	-	140,666
FUND BALANCES, January 1	15,947	197	-	3,566	184,946	60,491	2	41,432	-	949,898
FUND BALANCES, December 31	\$ -	\$ 711	\$ -	\$ 12,302	\$ 203,795	\$ -	\$ 92,718	\$ 50,730	-	\$ 1,090,564

# County of Cheboygan, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2007

	Tax Foreclosure	Straits Regional Ride	Jail Commissary	Totals
<b>ASSETS:</b>				
Cash & Cash Equivalents - Unrestricted	\$ 640,062	\$ -	\$ 3,252	\$ 643,314
Receivables:				
Accounts	-	7,411	-	7,411
Due from Governmental Units	-	94,844	-	94,844
Capital Assets (Net of Accumulated Depreciation)	-	127,992	-	127,992
<b>TOTAL ASSETS</b>	<u>\$ 640,062</u>	<u>\$ 230,247</u>	<u>\$ 3,252</u>	<u>\$ 873,561</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ -	\$ 15,905	\$ -	\$ 15,905
Accrued Liabilities	15,261	12,081	-	27,342
Due to Other Funds	-	81,713	-	81,713
<b>TOTAL LIABILITIES</b>	<u>15,261</u>	<u>109,699</u>	<u>-</u>	<u>124,960</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets	-	127,992	-	127,992
Unrestricted (Deficit)	624,801	(7,444)	3,252	620,609
<b>TOTAL NET ASSETS</b>	<u>624,801</u>	<u>120,548</u>	<u>3,252</u>	<u>748,601</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 640,062</u>	<u>\$ 230,247</u>	<u>\$ 3,252</u>	<u>\$ 873,561</u>

# County of Cheboygan, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended December 31, 2007

	Tax Foreclosure	Straits Regional Ride	Jail Commissary	Totals
<b>OPERATING REVENUES:</b>				
Federal Revenue - Operations	\$ -	\$ 115,849	\$ -	\$ 115,849
State Revenue - Operations	-	273,014	-	273,014
Local Sources - Operations	-	13,316	-	13,316
Charges for Services	248,828	248,629	12,519	509,976
<b>TOTAL OPERATING REVENUES</b>	<b>248,828</b>	<b>650,808</b>	<b>12,519</b>	<b>912,155</b>
<b>OPERATING EXPENSES:</b>				
Personal Services	33,150	458,353	-	491,503
Contractual Services	44,303	11,825	-	56,128
Utilities	-	2,167	-	2,167
Repairs & Maintenance	-	55,556	-	55,556
Other Supplies & Expenses	52,835	150,425	13,613	216,873
Depreciation	-	104,335	-	104,335
<b>TOTAL OPERATING EXPENSES</b>	<b>130,288</b>	<b>782,661</b>	<b>13,613</b>	<b>926,562</b>
<b>OPERATING INCOME (LOSS)</b>	<b>118,540</b>	<b>(131,853)</b>	<b>(1,094)</b>	<b>(14,407)</b>
<b>NON-OPERATING REVENUES:</b>				
Interest on Deposits	15,936	-	-	15,936
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>134,476</b>	<b>(131,853)</b>	<b>(1,094)</b>	<b>1,529</b>
Transfers In	-	75,287	-	75,287
<b>CHANGE IN NET ASSETS</b>	<b>134,476</b>	<b>(56,566)</b>	<b>(1,094)</b>	<b>76,816</b>
NET ASSETS, January 1	490,325	227,468	4,346	722,139
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>(50,354)</b>	<b>-</b>	<b>(50,354)</b>
<b>NET ASSETS, December 31</b>	<b>\$ 624,801</b>	<b>\$ 120,548</b>	<b>\$ 3,252</b>	<b>\$ 748,601</b>

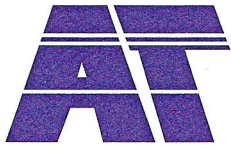
# County of Cheboygan, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended December 31, 2007

	Tax Foreclosure	Straits Regional Ride	Jail Commissary	Totals
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers or Users	\$ 248,828	\$ 256,242	\$ 12,519	\$ 517,589
Receipts from Governmental Units	-	397,633	-	397,633
Cash Payments to Suppliers	(93,225)	(222,749)	(15,117)	(331,091)
Cash Payments to Employees	(33,150)	(456,059)	-	(489,209)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>122,453</u>	<u>(24,933)</u>	<u>(2,598)</u>	<u>94,922</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Prior Period Adjustment	-	(50,354)	-	(50,354)
Transfers In	-	75,287	-	75,287
<b>Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>24,933</u>	<u>-</u>	<u>24,933</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on Deposits	15,936	-	-	15,936
<b>Net Cash Provided by Investing Activities</b>	<u>15,936</u>	<u>-</u>	<u>-</u>	<u>15,936</u>
Net Increase (Decrease) in Cash and Equivalents	138,389	-	(2,598)	135,791
Cash and Equivalents - Beginning of Year	501,673	-	5,850	507,523
<b>Cash and Equivalents - End of Year</b>	<u>\$ 640,062</u>	<u>\$ -</u>	<u>\$ 3,252</u>	<u>\$ 643,314</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 118,540	\$ (131,853)	\$ (1,094)	\$ (14,407)
Non-cash and Other Non-operating Expenses				
Depreciation Expense	-	104,335	-	104,335
Decrease (Increase) in Assets:				
Accounts Receivable	-	(23,206)	-	(23,206)
Increase (Decrease) in Liabilities:				
Accounts Payable	-	(2,776)	(1,504)	(4,280)
Accrued Liabilities	3,913	2,294	-	6,207
Due to Other Funds	-	26,273	-	26,273
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 122,453</u>	<u>\$ (24,933)</u>	<u>\$ (2,598)</u>	<u>\$ 94,922</u>

## **Reports on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Chairperson and Members of  
The Board of Commissioners  
County of Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County of Cheboygan, Michigan's basic financial statements and have issued our report thereon, dated June 5, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cheboygan County Road Commission, as described in our report on the County of Cheboygan, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County of Cheboygan, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Cheboygan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Cheboygan, Michigan in a separate letter dated June 5, 2008.

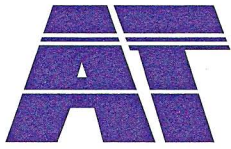
This report is intended solely for the information and use of management, Board of Commissioners, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 5, 2008





**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Chairperson and Members of  
The Board of Commissioners  
County of Cheboygan, Michigan

**Compliance**

We have audited the compliance of the County of Cheboygan, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Cheboygan, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### **Internal Control Over Compliance**

The management of the County of Cheboygan, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Cheboygan, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 5, 2008

# County of Cheboygan, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
<b>Direct Award:</b>			
Housing Preservation Grant	10.433	N/A	3,564
Housing Preservation Grant	10.433	N/A	12,818
<i>Pass-through programs from the Michigan Department of Natural Resources</i>			
Schools & Roads - Grants to States for Timber Sales	10.665	N/A	31
Total U.S. Department of Agriculture			16,413
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</b>			
<i>Pass-through programs from Michigan State Housing Development Authority</i>			
Community Development Block Grant	14.228	MSC-2005-0730-HOA	85,650
Total U.S. Department of Housing & Urban Development			85,650
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Federal Drug Forfeitures	16.XXX	N/A	5,614
<i>Pass-through programs from Michigan Department of Community Health</i>			
Substance Abuse - SANE	16.738	70868-8-07-B	28,085
Substance Abuse - SANE	16.738	70868-9-08-B	8,823
Subtotal - pass-through MDCH			36,908
<i>Pass-through programs from the Michigan Department of Human Services</i>			
Juvenile Accountability Incentive Block Grant - 02/01/06 to 01/31/07	16.523	JABGN-06-16001	1,697
Juvenile Accountability Incentive Block Grant - 02/01/07 to 01/31/08	16.523	JABGN-07-16001	10,512
Subtotal - pass-through MDHS			12,209
Total U.S. Department of Justice			54,731
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<i>Pass-through the Michigan Department of Community Health</i>			
Drug free schools and local programs - SAYPA programs	84.186	2006-1620	61,338
Drug free schools and local programs - SAYPA programs	84.186	2007-1935	17,851
Total U.S. Department of Education			79,189
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
<i>Pass-through programs from the Michigan Department of State</i>			
Police, Emergency Management Division			
Enforcement Zone Grant	20.600	PT-07-54	13,278
HEMP Grant 2006-2007	20.503	N/A	700
Subtotal - pass-through from MDSP			13,978
<i>Pass-through programs from the Michigan Department of Transportation</i>			
Road Projects - State Administered	20.205	N/A	1,415,310
Operating Grant - Section 5311	20.509	207-0191-22/R1	56,930
Operating Grant - Section 5311	20.509	2007-0191-Z6	58,919
Subtotal - pass-through from MDOT			1,531,159
Total U.S. Department of Transportation			1,545,137

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2007**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Pass-through programs from the Michigan Department of Human Service</i>			
Promoting safe & stable families - SAYPA program	93.556	DEL-04-16001	14,668
Promoting safe & stable families - SAYPA program	93.556	DEL-08-16001	4,095
Incentive Reimbursement	93.563	FIP2006	48,953
PA CRP Title IV-D - 10/1/06 to 9/30/07	93.563	CS/PA-07-16002	43,301
PA CRP Title IV-D - 10/1/07 to 9/30/08	93.563	CS/PA-08-16002	17,136
FOC CRP Title IV-D - 10/1/06 to 9/30/07	93.563	CS/FOC-07-16001	192,691
FOC CRP Title IV-D - 10/1/07 to 9/30/08	93.563	CS/FOC-08-16001	60,558
Total U.S. Department of Health and Human Services			<u>381,402</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>			
<b>Direct Award:</b>			
Brownfield Grant	66.818	BF-00E02601-0	<u>79,081</u>
Total U.S. Environmental Protection Agency			<u>79,081</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
<i>Pass-through programs from the Michigan Department of Natural Resources</i>			
Marine Equipment	97.012	N/A	<u>16,986</u>
Total U.S. Department of Homeland Security			<u>16,986</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,258,589</u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Cheboygan, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - COGNIZANT AGENCY**

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Environmental Protection Agency which provided the greatest amount of direct federal funding to the County during 2007.

**NOTE C - FEDERAL REVENUES**

Federal Revenues per Financial Statement	\$ 843,248
Add: Component Unit Federal Revenues	1,415,310
Add: State Revenues Classified as Federal	<u>31</u>
Total Federal Expenditures	<u>\$ 2,258,589</u>

**NOTE D - FEDERAL GRANTS – ROAD COMMISSION**

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning, and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended December 31, 2007, the Road Commission of Cheboygan County had less than \$500,000 of force account expenditures applicable to federal awards. As a result, an audit for compliance under the Single Audit Act has not been performed.

During 2007, the Road Commission participated in the MDOT Local Jobs Today Program. Through project contracts with MDOT, the Road Commission is not only provided “State – Jobs Today” dollars but is also provided Federal Funds, which are advanced construction dollars. MDOT administers the projects, however, the Road Commission is required to report the improvements and the related funding as revenue. Under a separate loan contract for the project, the Road Commission is committed to payment of interest and possible repayment of the advanced construction dollars

**NOTE D - FEDERAL GRANTS – ROAD COMMISSION (Continued)**

During 2007, the Road Commission reported \$853,959 in advanced federal dollars, and \$213,490 State Jobs Today dollars relating to the Jobs Today projects, which were administered by MDOT. The balance of \$561,351 in federal dollars reported was for the basic contracts with MDOT and represents grant dollars expended on public road improvement projects, which were administered by MDOT, and also required to be reported by the Road Commission.

The federal revenues of \$1,415,310 represents the Department of Transportation Federal Highway grant money expended on public road improvement project which were administered by the Michigan Department of Transportation; however, required to be reported by the Road Commission.

**Section I – Summary of Auditors' Results**

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**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

**Identification of Major Programs**

<b><u>CFDA NUMBERS</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.563	Child Support Enforcement
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

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**NONE.**

**Section III – Federal Award Findings and Questioned Costs**

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**NONE.**



**Section II – Financial Statement Findings**

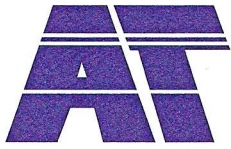
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**NONE.**

**Section III – Federal Award Findings and Questioned Costs**

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**NONE.**



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Honorable Chairperson and Members  
Of the Board of Commissioners  
County of Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheboygan, Michigan for the year ended December 31, 2007, and have issued our report thereon dated June 5, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated February 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County of Cheboygan, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Cheboygan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Cheboygan, Michigan's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Cheboygan, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Cheboygan, Michigan's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 5, 2008.

### **Significant Accounting Policies**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Cheboygan, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreement with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 5, 2008.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Comments and Recommendations***

#### **Fraud Policy**

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

### **Electronic Banking**

State law requires that a policy regarding electronic banking be established and approved by the County. This policy determines who is responsible for activating electronic transactions and the types of transactions which will be made.

### **Conclusion**

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson, Tackman & Co. PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 5, 2008